



Diocese of Fairbanks
Chapter 11 Process
March 1, 2008



Chapter 11 is a voluntary action taken by a company or entity, like the Catholic Bishop of Northern Alaska (“CBNA”), to reorganize financially with the goals of being able to respond to the financial claims of those to whom it owes money and to emerge with its operations intact.

A Chapter 11 filing with the U.S. Bankruptcy Court immediately stop all efforts at collection of debts against the entity that precede the filing and stops all lawsuits against it as well.

Chapter 11 does not mean the entity is going out of business or is broke.

Under a Chapter 11 proceeding, an entity maintains its normal operations and continues to provide employees with salaries and benefits. It continues to do business in a routine manner.

After the entity files Chapter 11, a government agency, the U.S. Trustee, appoints an Official Creditors Committee.

Normally, this committee becomes involved in the court-supervised process to ensure that creditors are dealt with fairly.

A joint meeting of entity representatives and people who believe that the entity owes them money typically occurs approximately 30-45 days after a Chapter 11 filing.

Another major step in the Chapter 11 process is providing notice to anyone who believes they are owed money; that is, people who have a financial claim against the entity.

Notice procedures, which normally include direct notice and advertising, are established and notice

is given to people with claims alerting them that their claims must be brought forward by a certain date. This notice period may last from three to six months. It will be up to the Bankruptcy Judge to determine the notice period.

Meanwhile, the entity, as the debtor in possession, will propose a reorganization plan. The entity has the exclusive right by law to propose such a plan during the first 120 days of the Chapter 11 process. The exclusive period may be extended.

Once all of the claims that resulted from the notice being given are filed, estimation hearings are held to estimate the value of any claims that are disputed.

Once the total value of all claims is estimated, the entity can determine if its financial reorganization plan is feasible.

When the plan of reorganization is filed, it is accompanied by a disclosure statement that provides complete financial information and how the entity proposes to fund the plan and operate after it exists under Chapter 11. The court, must determine if it contains adequate information for the creditors to consider.

If the disclosure statement is approved by the court, creditors can then vote on the financial reorganization plan.

If the entity’s reorganization plan is confirmed, the creditor claims will be satisfied as provided for in the financial reorganization plan.

At this point, the entity can emerge from Chapter 11 and operate as described in its reorganization plan.